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THE COUNTRY ELEVATOR IN THE CANADIAN WEST

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THE COUNTRY ELEVATOR IN THE CANADIAN WEST.*

AN institution which, albeit by its sins, is responsible for the strongest force making for real democracy in present-day Canadian life, is not unworthy the attention of the student of economic history. Doubtless such questions as the tariff or railway rates or rural credits would in time have of themselves impelled the Western farmers to organize and to push as a non-partisan force into federal and provincial politics. Indeed two attempts at organisation had already been made,—the Farmers' Protective and Cooperative Union (1883-85), and the Manitoba branch of the Patrons of Industry (1878-96); but both organizations were short-lived and their only permanent work was to teach farmers the need of union and at the same time the difficulty of achieving it. The fact remains that it was the farmers' belief in the deep-dyed iniquity of the country elevator system that led to the organisation, at Indian Head on Dec. 2, 1901, of the Territorial Grain Growers' Association, the parent of the various associations and trading bodies by means of which the Western farmer is striving to work out his own social and economic salvation. The results of their first dozen years of organized effort in co-operative achievement and constructive legislation proved so fruitful that for the last three or four years, we have heard very little about the problems of the grain trade. However, congestion of transportation facilities during the past season,

*A "country elevator" is any elevator, situated on the right of way of a railway at any shipping point, which receives grain for storage, before such grain has been inspected under the Manitoba Grain Act. It is to be distinguished from (a) a terminal elevator, either at the lake front or at interior points, where Western grain receives its final inspection, the grade there given being the grade on which the grain is sold on the world's markets; (b) an Eastern transfer elevator, situated in the Eastern ports of the Great Lakes or on the Atlantic seaboard, and acting merely as part of the transportation machinery to transfer grain already graded and cleaned from boat to bin, and from bin to boat or ocean steamers; and (c) a hospital elevator, where rejected or damaged grain is cleaned, dried, or otherwise treated. In 1915 there were 2753 country elevators at 1225 stations in the West, with a storage capacity of 86,649,000 bushels, and representing a capital investment of over \$15,000,000.

differences over the type of storage ticket to be given by country elevators and over the rates to be charged for initial storage, and more recently the appointment of the present Grain Board to act as a Royal Commission to investigate and report upon all phases of the grain trade, have once more brought the subject to public attention.

The grain elevator is one of the by-products of the expansion of the wheat market from a local to a world basis. For the most part this evolution in the grain trade did not take place till the middle of the nineteenth century. About that time and chiefly as a result of the new means of transportation, the railway and steamship, and the new means of communication, the telegraph and cable, the old independent local markets began to give place to a single world market in which the consuming demand of all the nations met the supplies from all the producing areas and established an equilibrium price for the whole world. The natural result was a tremendous increase in international specialisation, the virgin lands of the West giving themselves over to specialist wheat production and compelling by their competition a painful readjustment among the agrarian classes of the Old World. The vast increase in production on this Continent resulting from the new geographical division of labor rendered obsolete the old methods of marketing and selling grain. That method of storing, transporting, and selling grain which demanded the preservation of the identity of the particular lot proved too cumbersome and expensive, and in its place was developed the method of handling by bulk, with its concomitant, selling by grade. Bulk handling was facilitated by the elevator, which took advantage of the flowing property of grain to make the force of gravity do what had formerly required a great deal of labor. This saving in labor was accompanied by an even greater economy of time; whereas it formerly required roughly a day to load a car from a wagon or from a flat warehouse without loading machinery, a car can be loaded from an elevator in fifteen minutes.

Undoubtedly this product of Yankee ingenuity is the most economical and most rapid method of handling grain that has ever been devised. These two virtues rendered the rapid spread of the elevator system inevitable in a country like Canada, where not only is labor scarce and relatively high-priced, but

where geographical, climatic, and financial conditions have hitherto rendered rapid marketing of the wheat crop absolutely essential. But though thus of real advantage to the farmer, the latter has almost always looked on the elevator company as his natural enemy. The elevator owner was only one,—perhaps the most hated one,—of a long series of middlemen who stood between him and the European consumer, and took apparently an excessive toll from his product. The conditions of international specialisation and producing for the world market had in fact evolved a gigantic and complex mechanism, consisting not only of elevators but also of railways, steamships, banks, grain dealers, commission men, exporters, etc., whose combined capital was probably vastly in excess of the capital employed in the production of the wheat. On this intricate mechanism, the Western farmer, specialising in the production of a perishable commodity which after garnering had to be “hailed by rail a thousand miles and shipped and reshipped before it reached the market of the world, to suffer then the price-variations due to supply and demand,”* was dependent for the sale of his crop; on its efficient and honest functioning depended his profits. At times when external conditions brought the price of wheat to a low point, he appeared to be working merely for this organisation and not for himself. The farmer who was accustomed to consider himself “the producer,” instead of merely the primary producer, was naturally in a rebellious mood when he saw so large a share of the selling price of his product going to those agents who performed the secondary steps in production and whom he was wont to regard as more or less parasitical. These later steps in production however were none the less necessary and productive, and the commercialization of the whole process of marketing was not only the cause of the farmer’s economic dependence, but the sine qua non of his ability to compete on the world’s market and hence the source of his profits. Granting this, however, one has still to ask whether the mechanism was functioning honestly and efficiently, or whether advantage was not being taken of the abundant opportunity to rob the farmer of his due reward.

*D. A. MacGibbon, *Journal of Pol. Economy*, March 1912, P. 229.



Western Canada was not drawn into the net of the world's market until the eighties of last century, when the coming of the railway made the grain trade for the first time a reality. True it is that the first shipment of wheat from the West was made in 1876 when 857 bushels were sacked, placed on a Red River steamer, and sent up the Red River to St. Paul, thence by rail to Toronto. A year later came the first shipment of Western wheat to England,—via the Red River and the United States. It was not, however, until 1884 that the first shipment was made by the all-Canadian route for export to England,—by rail to Port Arthur, thence by boat to Owen Sound, and thence by rail and ocean to Glasgow. The C.P.R. had been completed to Winnipeg in 1882, and though some grain was annually shipped to the Eastern flour mills, yet the volume of shipments did not become considerable till 1887. In that year nearly 4 million bushels of wheat were inspected in Winnipeg. This unprecedented crop sorely taxed the storage and handling resources of the West. Scanty capital resources had prevented the farmer from providing storage facilities on the farm. The custom so far had been to haul the grain either in sacks or loose to flat warehouses, built by grain dealers at various points along the railway line, and possessing no machinery but a weigh scale, a trolley for pulling the sacks and a grain cart. The grain was weighed, piled loose in the bins, and drawn in the cart to the car. The proprietors of these warehouses bought the grain from the farmers at prices agreed upon by the parties, shipped it by railway after accumulating a carload, and sold it on the Winnipeg Grain Exchange or otherwise. But the business was small, and rather inefficiently conducted. Further, during the annual rush to get the grain to the lake ports in time for transportation in vessels before winter set in, there was great difficulty in finding sufficient accommodation for storing the grain, which was brought in at country points more rapidly than it could be loaded and shipped out with the existing facilities.

Recognizing the difficulty and knowing the competitive advantage which the farmers of Minnesota and Dakota had secured by the use of the elevator system, the C.P.R. proceeded to encourage the building of elevators at their stations in the wheat-producing areas. Strange to say, though it had built a terminal elevator at Port Arthur in 1884, the C.P.R.

did not itself undertake to construct these elevators which, theoretically at least, would seem to be incidental to the business of transportation and quite as necessary to the quick loading and dispatch of cars as the heavy cranes used in freight sheds. This is all the more remarkable when we recall that as early as 1885 it was the publicly-announced policy* of the C.P.R. to prevent "private interests of any description" absorbing any portion of its profits by retaining in its own hands all the services subsidiary to railroading, and that, following out this policy, the C.P.R. now, not only conducts its own sleeping car, dining car, express and parcel carrying services, but also owns and operates telegraph lines for commercial use, steamship lines, hotels, farms, ranches, mineral springs, and even soap factories. Its failure to extend this policy of integration one step further, so as to include the warehousing of grain, is probably to be explained by the difficulty of securing the necessary capital, by an unwillingness to incur the inconvenience and bother that would have been involved, and perhaps also by the current conviction that the buying and selling of grain were inextricably bound up with the storing of grain.

Whatever the reason for this failure and for the step that was actually taken, the consequences were momentous for the economic and political history of Western Canada in the succeeding twenty-five years. Rightly or wrongly shifting the responsibility from its own shoulders, the C.P.R. offered free elevator sites and other privileges to those who would erect 'standard elevators' of a capacity of at least 25,000 bushels, driven by steam or gasoline engines, and equipped with proper machinery for elevating and cleaning grain. In order further to encourage the investment of capital in such elevators, the railway guaranteed not to allow cars to be loaded with grain through flat warehouses, or direct from farmers' vehicles, or otherwise than through such elevators. When making such inducements, it imposed the condition that such elevator owners should furnish at reasonable rates storage and shipping facilities for parties wishing to store or ship grain. The result was a rapid building of elevators, which, although they

*See speech of the President, Sir Geo. Stephen (now Lord Mount Stephen) at a shareholder's meeting in Montreal, June 15, 1885.



competed to a certain extent among themselves, especially until combination began to develop in the late nineties, yet as a class possessed a monopoly in the storing and buying of grain. Short of an Archangel Gabriel at the wheel, evils were bound to develop.

Before discussing this evil in detail, it is necessary to go back for a moment, and consider the supervision exercised by the Government over the grain trade. Acts had been passed by the United Provinces in 1853 and 1863 providing for grain standards and the choosing of grain inspectors in certain cities. This was extended to the whole of Canada by the General Inspection Act of 1874. Later amendments in 1889 and 1891 set up a grain Standards Board for Western wheat and provided for the establishment of "commercial grades" of grain. At this time inspection did not take place till the grain reached Fort William, when, if the grading was not satisfactory to the farmer, it was beyond his control and he had no redress. Inspection, moreover, was not yet made compulsory. To remedy these defects, the Minister of Inland Revenue, who had charge of the supervision of the grain trade until it was taken over by the Department of Trade and Commerce in 1904, put through a bill creating the Inspection District of Manitoba and providing that all wheat produced in Manitoba and the North-West Territories should be inspected at Winnipeg or Emerson, that inspection should be final as between the Western farmer and the Winnipeg dealer, and that the grain grower should have the right to appeal if dissatisfied with the grade his grain received.

Aside from a few Orders-in-Council passed under authority of the Act of 1874 these four pieces of legislation represented, till the year 1900, the sole measure of the Government's concern for the interests of the grain grower who was, as we have seen, so dependent on fair and wise methods of commercial organization. Especially striking was the absence of any attempt to regulate the privately-owned, monopoly-possessing system of interior elevators which had grown up. In the face of such a laissez-faire governmental policy, we are not surprised to find that a Royal Commission was soon to report that "there being no rules laid down for the regulation of the grain trade other than those made by the railway companies and the elevator owners, we think it of great importance

that laws should be enacted and that rules should be made under power given by such laws, which will properly regulate the trade."

This Commission was appointed in 1899 in answer to a growing volume of bitter protest against the existence of the elevator monopoly and such abuses as the giving of short weights and the charging of excessive dockage. The Commission which reported in the following year found that "as a result of the refusal of the railway companies to take grain from a flat warehouse (which resulted in driving many small buyers out of the market), and of their refusal until 1898 to furnish cars to farmers desirous of doing their own shipping, and of the consequent necessity of shipping through elevators, or of selling to the operators thereof, and of lack of competition between buyers, the elevator owners have had it in their power to depress prices below what in our opinion farmers should realize for their grain. It would naturally be to their interest so to depress prices; and when buying to dock as much as possible." The shipper had only two alternatives: (1) to *sell* his grain to the elevator operator, thereby accepting his grading, weights, and dockage; and (2) to *store* his grain and ship via the elevator to a commission firm in Winnipeg. But as a matter of fact the elevator operators were almost always grain dealers, whose interest it was to buy grain rather than simply to store it. They were not compelled to guarantee grades of grain shipped through their elevators, and when separate bins could not be furnished, the grain became mixed with other grain, often dirty grain, and its identity was lost. Even when separate bins were given, there was often room for suspicion that deterioration of the grade by mixing had been effected. The charges for dockage, that is to say, the percentage taken off the total weight of a load of grain by an elevator operator to allow for the seeds and dirt which he estimated it to contain, was considered by the Commissioners to be excessive. There was also evidence that the weights given by the elevators were often open to suspicion either because of deliberate fraud or because of the infrequent inspections of the scales by the Government officials. The Commission however ascribed such malpractices as the above to individual employees rather than to any concerted attempt of the owners to practice extortion. The report went on to

say that "there were, and are, at most shipping points more than one elevator, so that a farmer could generally choose to which he would sell. The evidence, however, shows that in many cases there is little, if any, competition between elevators as to prices and that there is seldom any advance from other buyers on the offer made to a farmer by the first buyer he approaches. Of late years there have been combinations of elevator owners into large companies. This has resulted in fewer and larger elevator-owning corporations, which naturally tends to further decrease competition." Of the 447 elevators in the West in 1899, 256 were owned by three large line elevator companies, 95 by two milling companies, and only 146 by independent local millers, grain dealers, or groups of farmers.

But apart from any abuse of the power given by the elevator system, the Commission insisted that it was unfair that the farmer could not if he so desired ship directly to the terminal without passing his grain through an elevator. This meant a net expense or loss to him of three quarters of a cent (and later of one cent) to the bushel; for many shippers would prefer to give their own labour and use their own help, otherwise idle perhaps, to load the grain, thus saving the elevator rate and preserving the identity of their grain. Considering that the discontent on this point was "very serious," and that such discontent was "an inevitable result of the restrictions under which farmers have been labouring as to the marketing of their grain," the Commissioners concluded that "proper relief from the possibility of being compelled to sell under value and of being unduly docked for cleaning, is only to be had by giving the fullest obtainable freedom in the way of shipping and selling grain. It is only in such a way that the great agitation and bitterness of feeling which has arisen can be ended. So long as any farmer is hampered in, or hindered from, himself shipping to terminal markets, he will be more or less at the mercy of elevator operators."

The presentation of this report and the adoption of practically all the Commission's recommendations mark a new epoch in the development of the Western grain trade. The old era of indifference on the part of the State, and lack of cohesion among the producers gave way to a new era in which the watchwords were to be Government supervision and con-

cern, and cooperative self-help. Instead then of continuing the historical account; it may be better to outline the factors or principles that have shaped the course of development in the last sixteen years and to summarize briefly the part played by each in bringing about a gradual improvement of conditions.

In the first place, the State has stepped in to act as referee, and see that the game is played fairly. An elaborate code of rules and regulations has been built up, designed to govern each stage in the marketing process and to protect the producer from speculative or oppressive treatment at the hands of the various middlemen in the trade. The core of this legislation is the recommendations of the Grain Commission of 1899, which were in large part an adaptation to Canadian conditions of the grain laws of Minnesota and North Dakota. These recommendations were embodied in the Manitoba Grain Act of 1900. This Act was revised and amended in 1903, 1908 and 1912,—in all three cases after vigorous complaints from the farmers, and in the second case after an exhaustive investigation and report by a new Royal Commission in 1905-06. Thus amended, and with the absorption of the General Inspection Act in 1912, it is the Canada Grain Act of today. The modifications, though numerous, were not fundamental, their chief object being to make the regulations more detailed and to perfect the machinery of supervision and control. As it stands today, the Act is regarded, not unfittingly as the Magna Carta of the grain growers. The administration of the Act, formerly in the hands of a single Warehouse Commissioner, was in 1912 assigned to a Board of three Commissioners, who receive high salaries and hold office for ten years or during good behavior. Control is secured over the various middlemen by means of the licensing and bonding system. There are paragraphs in the act governing in the minutest detail the receiving, cleaning, weighing, grading, storing, special binning and shipping of grain; the form of purchase and storage tickets to be given to the elevators; the inspection and conditions of scales; and the keeping of books and records. These provisions, the Board has power to enforce. "The Board," in the words of its present chairman, Dr. Magill, "investigates all complaints made about handling grain, complaints about grades, weights or dockage; about prices or charges; about cars, platforms and elevators; and about fraud or oppression

by any person, firm or corporation owning or operating any elevator, warehouse, mill or railroad, or by any grain commission merchant or track buyer. For this work the board can summon witnesses, administer the oath, examine witnesses under oath, and compel the production of all books and documents relating in any way to the matter complained of. It can suspend or dismiss operators, recommend the withdrawal of licenses, institute proceedings at the expense of the Government, and its reports are prima facie evidence in the courts."

But the mere presence of this formidable body of supervisory or protective legislation upon the statute-books was not sufficient. Indeed the gradual perfecting of this legislation in the first decade of the century was accompanied by an ever-increasing volume of discontent and of protest at the abuses of the system which it was designed to remedy. By 1910 the farmers' leaders seemed to have lost faith in the value of such restrictive legislation and were seeking new gods to worship. It was not so much the act that was at fault. No act could be framed to prevent all the abuses that were charged against the elevator system; and even within its proper sphere, its success in protecting the farmers depended largely on whether they were acquainted with its provisions and whether they availed themselves of the weapons which it placed within their reach. Unfortunately the provisions of the Act were never as widely or as thoroughly known as they ought to have been. Education was needed to go hand in hand with legislation; and in recent years this second factor making for improved conditions has been operating through the activities of the farmers' organizations. As has already been mentioned, the parent organization, first known as the Territorial Grain Growers' Association, was organized at Indian Head in 1901 by a group of farmers who, expecting that the Act of 1900 would bring relief, and bitterly disillusioned by a continuance of the abuses and by flagrant violations of the Act, especially in the heavy crop year of 1901, had finally concluded that if any better adjustment of affairs was to be secured it would only be in response to the farmers' definite and concerted action. The success of the movement there begun is well-known. In 1902 the Manitoba grain growers organized a similar association; and in 1905 was formed the Alberta Farmers' Association

which in 1909 united with a previously-existing branch of the American Society of Equity to form the present United Farmers of Alberta. In each province the hundreds of local associations are federated in a central organization, these central organizations in 1908 effected a certain measure of cooperation by the formation of an interprovincial Council, and later still—in 1910—joined with their brethren in the Eastern provinces to form the Canadian Council of Agriculture. The work of these organizations in securing or preventing the enactment of legislation, and in developing cooperative effort along several lines has been extremely important and will be touched upon later. But their activities are essentially educational, and the results of these tactics, while less spectacular, can scarcely be overestimated. By platform, letter and press, they have spread a knowledge of the protective provisions of the grain code. More than this—by discussion, example, and the backing of an organization strong in numbers and resources, they have taught the farmer to be alert, ready to stand up for his own interests, ready to call upon the referee to enforce the rules of the game.

Only in one case, in so far as country elevators are concerned, has the State ever consented to do more than referee the game, though for a time the trend towards Government ownership and operation seemed inevitable. When the second Grain Commission held its sittings in 1905-06, the subject had not been publicly broached. Shortly after this, however, the scheme was fomented, so it is alleged, by a group of the more irresponsible and visionary leaders who had been losing faith in the efficacy of restrictive legislation and who were convinced that "a few men could manufacture public sentiment." Endorsed by the Grain Growers' conventions in 1907 and in the three succeeding years, the catch-phrase, "public ownership of country elevators," caught the imagination of West, and by 1910, perhaps 90 percent. of the grain growers worshipped the principle. Two years later, scarcely anyone remained to do it reverence. The Manitoba Grain Growers' Association was the first to move. Its executive brought the matter to the attention of the Provincial Government in 1907; but Premier Roblin succeeded in putting them off for a while and finally had the matter referred to a conference of the Grain Growers' representatives and the Premiers of the three

Western provinces. The object, ostensibly, was to secure a uniform solution of the problem. The conference met in the summer of 1909. Its only result was a state paper bearing the signatures of Premiers Roblin, Scott, and Rutherford, and rejecting the proposal for Government ownership of country elevators on financial and constitutional grounds. The financial objections were doubtless sincere, and important, though little emphasized. On the other hand, the wish to be relieved of responsibility was, clearly, father to the constitutional objections on which the stress was laid.

But the grain growers were not to be put off, and by 1910 they were an organized force to be respected. Nine years of preparation, education, and propaganda had built up an army of 25,000 members (representing 636 local units), and had developed a group of leaders, alert, fearless, familiar with tactics, little disinclined to fight. When therefore they began their combined offensive in the winter of 1909-10, the Legislatures at Ottawa and the provincial capitals were compelled to give ground. In an omnibus indictment which included the millers, the railroads, the Grain Exchange, the banks and the terminal elevators, as well as the country elevators, the Grain Growers charged up against the latter all the sins in the elevator catalogue,—giving unfair weights, charging excessive dockage, unduly depressing grades and prices, failing to clean grain, refusing to give special bins, jockeying for cars, substituting inferior grain for the farmer's superior lot, "mixing" so as to deteriorate the grades, and finally, trying to ship stored grain to their own firms even when the owner desired to ship it elsewhere. Having concluded that the possession of the storage facilities enabled the owners to prevent competition in the handling of grain, despite all legal safeguards, and that the only way to restore freedom was to divorce the warehousing of grain entirely from the business of trading in grain; they summed up their case by demanding provincial ownership of country elevators and federal ownership of terminal elevators.

The Roblin Government made haste to capitulate. With the superhuman strength born of an approaching election, they surmounted the constitutional objection which four months before had been insurmountable, announced their conversion to Government ownership, and in March, 1910, passed the

Manitoba Grain Elevator Act, providing for the buying, leasing, or construction of elevators and their operation by a board of three commissioners appointed by the Government. Existing elevators were to be bought on the basis of a fair physical valuation. The necessary funds were to be raised by the issue of forty year four per cent. debentures. The whole aim of the Act was to provide "all reasonable facilities" for the receiving, storing, forwarding and delivery of grain for farmers who wished to ship their grain to commission merchants in Winnipeg or for wholesale dealers employing street agents. In all cases samples of stored grain were to be taken and exhibited to prospective buyers.

The experiment was a wretched fiasco, and after a two years' trial was given up. Political management was largely responsible for the failure. Many of the elevators, it was alleged, were purchased through friends of the Government at exorbitant prices; some were over twenty years old and "fit for the junk heap"; some were by an unfortunate choice bought or built at points where they had to meet the competition of elevators owned by the large milling companies who were in a position to pay premiums for wheat grown in the vicinity for milling purposes. Further a fatal mistake was made in ignoring the Grain Growers' Association in the appointment of operators and methods of operation, thus failing to enlist the sympathetic cooperation of those whose patronage were essential to the success of the system. Finally the basis of operation was too narrow. The Government elevators were permitted only to elevate and store grain; not to buy and sell it, which was the main source of profit to the privately-owned companies. Because of the excessive storage capacity in the province and the existing low rates for handling, the Government could not hope to make a profit on a storing and shipping basis against the competition of the independent companies, and it was little wonder that yearly operating deficits resulted, even without allowing for interest and depreciation. A monopoly of interior storage, which the Government contemplated, would have solved one side of the problem, but the heavy initial costs would probably have meant either a higher charge for grain handling in Manitoba than elsewhere, or else recurring annual deficits, both of which results would not have been tolerated. But the experiment was never made. The Grain



Growers' Association which had opposed certain features of the Act from the beginning, especially with regard to the purchase of elevators and the appointment of the Commission, refused to accept the responsibility for the scheme or the odium of its failure. Indeed they freely charged that the whole scheme was a deliberate attempt to discredit public ownership. The test of the principle was certainly not a fair one, but it was sufficient for the Western farmer. His eyes were now turned in another direction.

Another principle which has been effective,—perhaps more effective than any other,—in securing improved conditions in the grain trade, is the principle which was laid down by the first Royal Commission on Grain Marketing, the principle of providing substitute or alternative methods, instruments, routes, or channels of trade in the hope that the monopoly element in the various stages of the marketing process might be done away with, and the tolls charged by the various middlemen kept down to a reasonable level by the resulting competition. In so far as initial storage is concerned, the provision of these alternatives to the privately-owned elevator has been effected in three ways, namely, by the natural development of the country, by permissive and mandatory legislation, and by cooperation on the part of the producers themselves.

Obviously the growth of the country, more especially the increase in transportation facilities, has worked in this direction. The completion of the railway network has added to the number of shipping stations, elevators and platforms at the disposal of the farmer. He is no longer limited to a single shipping-point or to a single elevator or to a single mode of shipment; he can pick and choose among alternatives. Excessive storage capacity has of course been another result of this development, but this is good for the grain growers, because it means keener competition between the elevators,—competition, if not in prices, at least in service, in weights, grades and dockage.

More important perhaps has been the provision of substitutes for the elevator itself. On the recommendation of the Royal Commission, the Manitoba Grain Act of 1900 included provisions requiring the railroads to furnish cars to farmers for the direct shipment of their own grain,—“no longer as a privilege but henceforth as a right”—, and to allow the estab-

lishment at shipping points, if desired by ten resident farmers, of flat warehouses in which the farmer could store his grain until he had accumulated a carload. Further as a valuable accessory to the proper shipment of grain in carload lots, the law provided for the erection at shipping points of loading platforms to be used by farmers free of charge. On the application of ten farmers living within twenty miles of any shipping point, the railroad was required to erect a suitable platform parallel to the track.

The provision for the erection of flat warehouses was designed to prevent, rather than to cure; it was thought that the ever-present possibility of such erection would keep the elevators on their good behavior. Potential, rather than actual competition, was the force upon which hope rested. As a matter of fact, very few flat warehouses have been built, and after fifteen years the number in use has decreased from 97 to 28. This was due to the increased popularity of the other independent method of shipment, the loading platform, which is now made use of by Western farmers to handle from 30 to 35 per cent. of their crop. For the large farmer who has carload lots of grain of any particular grade, this is undoubtedly the cheapest way of shipping grain. It saves elevator charges of $1\frac{3}{4}$ cents per bushel or about \$18 per car, and enables him to sell his grain in Winnipeg through a commission merchant, usually at an advance over the street buyer's price. For the farmer remote from the railroad, or the small farmer with less than carload lots, the loading platform is impracticable, and the elevator is the only resort. The farmer was given the privilege of platform loading by the Act of 1900; for the first few years, however, it was practically impossible for him to secure a car within a reasonable time after making his request. The loading platform, without some system of regulated car distribution was practically useless; and as the railroads were alleged to be discriminating in favor of the elevator owners, the farmer was in much the same position as before. It was not till the farmers had organized and carried out a vigorous campaign of agitation and protest that they secured the insertion of a clause in the revised Grain Act of 1903, which required a distribution of cars on the principle that "every shipper was to count for one and nobody for more than one." The elevator company and the individual were henceforth to be

treated equally, each being entitled to a car in turn, according to priority of application in a car-order book kept by the station agent in a form prescribed by the Act.

But the farmers have not been content to let the lapse of time or the activity of the State solve the whole problem of providing marketing alternatives for them. By the end of the century, groups of farmers at 26 different shipping points had banded together to organize local farmers' companies and erect elevators. After 1906 these farmers' elevators increased rapidly in number, and by 1910 there were 29 in Saskatchewan alone. Today there are perhaps less than half a dozen in each of the three provinces; some of these again are independent farmers' elevators only in name, as they have made arrangements with other grain or elevator firms to handle their grain for them. Some however still remain on the old basis, and in a few cases, such as the Welwyn Farmers' Elevator Co., are remarkably successful. This success can usually be explained by a strong community spirit and the presence of one or more able public-spirited Directors who give their time and energy to the work of the company. With a competent manager and possessing the confidence of the farmers on a fairly large scale, its higher average turnover and its lower overhead charges will give it an advantage in competing against the line companies. Most of the farmers' elevators, however, have found it advisable to suffer absorption in the "farmers' line companies," which will later be described. This has enabled them to avoid one of the weaknesses of the independent company,— the keen competition and in some cases, the unfair competition of the line elevator companies who could afford to cut rates at competitive points, recouping themselves at non-competitive points. But this competition was the least important cause of failure. Where unfair competition killed two, bad management killed four. This inefficiency in management took several forms.* In some cases, insufficient capital was raised by stock subscription before the elevator was built. As a result too few farmers had a direct personal interest in the success of the undertaking, and the interest on borrowed capital cut deeply into dividends, thus causing dissatisfaction

*Report of Sask. Elevator Commission, 1910, P. 84-5.

among the shareholders. Further an ill-conceived straining after economy in the matter of salaries and wages resulted in incompetent or dishonest managers; and this fact together with poor systems of accounting and occasionally an undue interference on the part of some of the directors or shareholders, led to distrust of the management and a consequent lack of sufficient patronage to cover expenses. On the whole however, though these locally owned and locally controlled farmers' elevators have not had the striking success which similar elevators have had in the Western States, and though in many cases they were a loss to those farmers who subscribed to their shares, yet as a class and in a high social sense, they have not been a failure. Apart from the gain to members in the prevention of inequitable treatment in the handling of their own wheat, apart also from the gain to members and to the whole farming class at their shipping points because of the preservation or intensification of competition at those points, it is difficult to exaggerate the value of the first hand knowledge of the elevator business gained by the shareholders, or of the training in cooperative methods thus acquired, or of the indications of a correct solution of the whole elevator problem which rewarded the careful student of the elements of success and failure in their experience.

This correct solution was the formation of what might be called "farmers' line elevator companies." When in 1910 the grain growers made their attack on the provincial legislatures with "Government Ownership" inscribed on their banners, the Saskatchewan Government was more astute than that of Manitoba. While accepting the principle involved, Premier Scott appointed an able commission to inquire into and report upon the best scheme for putting into operation the desires of the grain growers. After an exhaustive inquiry the Commission reported against any scheme of Government ownership, pointing out the grave disadvantages a Government system would be under in competition with the private companies because of its narrower range of operations; the grave financial risk due to the lack of any direct and personal financial responsibility on the part of the farmers; the general disposition to exact the utmost possible from the public treasury while not giving the utmost return; and the ever-present possibility of political influences tending to make


themselves felt. On the other hand they were unanimous in holding that a correct solution of the elevator problem must give the farmers full control of the system and must secure the farmer's direct personal interest and responsibility for the financial success of the elevators. Grasping the lessons to be taught by the experience of the farmers' elevator companies, they recommended a cooperative organization of the farmers on the principle of the maximum amount of local control consistent with ownership by the whole body of shareholders and management through a central board of directors. Government aid was to be given in the form of an initial loan of 85 per cent. of the cost of construction of the elevators, the loan to be repaid in twenty equal annual instalments. The remaining 15 per cent. was to be supplied immediately by the local shareholders applying for the elevator and corresponded with the paid-up portion of their subscription to its stock. Shares were to be \$50 each with not less than 15 per cent. paid-up and the number of shares sold to one person was not to exceed ten. Shares were also to be confined to agriculturists.

The Saskatchewan Cooperative Elevator Co. was the result of these recommendations. Its success has been phenomenal and most people agree that it has practically solved the elevator problem for Saskatchewan. Starting with 46 elevators in 1911, the company last season owned and operated a line of 230 elevators, making it the largest elevator company in the West. In 1913 it handled nearly 30 million bushels of grain, and in the smaller crop year of 1914 nearly 14 million bushels or 15.4 per cent. of the marketed crop. Since 1912 it has operated a Commission Department at Winnipeg and now sells on commission each year nearly as much grain as it receives in its elevators. From the first the company has made it a policy to pay from 1 to 3 cents above the list prices sent out by the North-West Grain Dealers' Association, and this of course means that not only its members but all farmers at all points where the company has an elevator secure advantage of this increased price. At such competitive points the independent companies must pay the increased price or else give better grades or weights to secure any patronage. Adequate provision has been made for special binning, which now represents two-thirds of the company's business. In short the company has now reached a position of such strength and influence

that it can practically control the conditions governing initial storage within its own province.

In 1913, Alberta followed the lead of her sister province and set up the Alberta Farmers' Cooperative Elevator Co., organized on much the same lines as the Saskatchewan Company. Partly because of the less efficient, more speculative management, and partly because of keener competition, this company has never had the striking success of the one engineered by the Saskatchewan farmers. Especially has it had difficulty in securing adequate financial resources for operating, as distinct from construction purposes, the Government refusing to guarantee its credit for this purpose. However during the past season the company handled over 5 million bushels of grain, through its string of 85 elevators, and its total profit amounted to over \$19,000. More than two-thirds of this profit was made, however, not on grain but on the cooperative handling of live stock and farmers' supplies.

At present this company is being assisted financially by the Grain Growers' Grain Co., of which mention should now be made. This company is primarily a cooperative selling agency organized by the farmers in 1906 when the agitation against the elevator combine was at its height. The car distribution clause of the Manitoba Grain Act had been unexpectedly responsible in part at least for an increasing "spread" between track and street prices, but the farmers were apt to blame this wholly upon the existence of an elevator combine which was supposed arbitrarily to depress street prices. In their minds, proof sufficient of this charge was the formation a few years previously of the North-West Grain Dealers' Association, a trade association of elevator owners and other grain dealers formed to supply its members with gasoline and other supplies at wholesale prices, and to regulate the buying of grain in the country. Each day a uniform list of the street and track prices to be paid at country points was sent out to its members. The Grain Commission of 1905-06 found that the buyers were supposed to adhere to these list prices and that where a buyer persisted in breaking prices he was brought into line by the combined action of other buyers. They also found that some elevator companies had been pooling receipts at certain shipping points where their elevators came into competition with each other. On the other hand, on a charge of conspiracy in



restraint of trade, preferred by the Grain Growers against three members of the exchange, judgment was given in favor of the defendants.

Whatever the facts were, the farmers had become convinced that one of the main seats of their trouble was the Winnipeg Grain Exchange, on which the big line elevator companies seemed to dominate the business of buying and selling grain. The Grain Growers' Grain Co. was the result. After a few early years of trial and tribulation, due to doubtful management and trouble with the Exchange, this farmers' company has since prospered greatly and is now one of the biggest factors in the trade. Its paid-up capital is now \$867,422. Profits have increased from \$790 in 1907 to nearly a quarter of a million in 1915. In 1914 its grain receipts totalled nearly 30 million bushels, while in 1915 its export branch handled over 45 million bushels,—chiefly United States grain, however. Not only does it provide the farmer with an agency of his own to which he may consign his grain for sale, but among other activities, the Company has since 1912 operated under lease the string of elevators owned by the Manitoba Government. This phase of their business has never been very profitable, the first year especially showing a considerable deficit, due to hasty organization, intense competition resulting from the excessive storage capacity of the Province, extraordinary loss on grades of purchased grain, expensive operation of many of the elevators, and in some cases lack of loyalty on the part of the company's shareholders. It adds, however, another competitor to the market, and a competitor which will tend to give the farmer a square deal not only because of its antecedents and sympathies but also because that is the sole condition of its survival.

In dealing with all the companies which have been organized by farmers, the word "cooperative" has been used. The criticism may be made that this is not cooperation in the true sense of the word: it is not the 'Rochdale Pioneers' type of cooperation which requires the distribution of profits on the basis of business brought by the members to the company. It is certainly true that in all the above cases the companies are organized on the joint stock principle and dividends are paid on the basis of capital subscribed and paid-up. Yet it would seem that when such elevators are erected and operated by far-

mers, when the capital stock that each member may own is limited, and when the one-man-one-vote principle is the rule, much has been done toward true cooperation. Furthermore it is doubtful if this is not all that you can expect from these organizations, at least at present. All three of the farmers' line companies look forward to the cooperative principle, the payment of the 'patronage' dividend, as an ideal; but what they would seem to need most at the present time is the building up of a strong reserve fund and the increase of their capital so as to secure funds for carrying on the business and ensuring a position of undoubted strength. In all cases only a percentage of the stock subscribed has been paid up,—from 15 per cent upwards; yet the business is one which requires large working capital and as a result there is usually a great disproportion between paid-up capital and credit requirements. For instance a company with a paid-up capital of half a million may require, for operation purposes, a line of credit from the banks of nearly five million dollars. Before the company has proved itself, and because usually all its assets have already been mortgaged for construction purposes, it is often difficult, if not impossible, to secure any, or at least, sufficient credit. The Alberta Farmers' Elevator Company is a case in point. We may therefore be content to let these farmers' companies work out their financial policy along the lines they are now following. They should however be constantly on their guard against paying too much attention to dividends or against allowing the member's interest as a customer to become subordinate to his interest as an investor.

On one point, however, friends of the farmers' movement may express hope for a change; namely, a better coordination of the work of the different farmers' companies and a more logical demarcation of their respective fields. It would at least be more logical to have a single selling and export agency for the farmers' organizations of the three provinces, to have separate organizations in each province for the handling and storing of grain at interior points, and to have a still different organization (perhaps the Grain Growers' Associations) for the cooperative purchase and sale of other commodities. Of course once you had your organizations arranged on logical lines and had eliminated the overlapping and competition which exist today, a considerable measure of cooperation could be se-

cured between the different organizations. It is to be hoped that some such consummation may be effected in the early future, before vested interests, and the sense of rivalry become too strong to render it possible.

As has already been suggested, the factors above enumerated,—protective legislation; education, and the provision of marketing alternatives by the country's growth, by legislation, and by cooperative self-help on the part of the producers—have wrought a vast improvement in the methods of handling and storing grain at country points. The State has in recent years assumed its fair share of responsibility. Indeed the Western grain trade is more subject to Government regulation than any other Canadian trade, and more subject to regulation than the grain trade of any other country in the world. The question may well be asked whether this is in accordance with the genius of our modern industry. Certainly the fact does not seem to have discouraged the free flow of capital towards the trade; indeed the facilities at each stage of the marketing process seem to be excessive rather than insufficient. The new Grain Commission may well consider whether Western wheat is bearing too heavy a burden because of this excessive marketing equipment, and whether the conditions which were the cause of it could not be met at a lower social cost by changes in our financial or other machinery. A very encouraging companion fact to the one just stated is the alertness, the resourcefulness, and the cooperative business achievement of the primary producers. Government regulation has not made them less able or less willing to stand on their own feet. In no other country of the world have the grain growers done so much to solve their own problems as in our Canadian West. As a matter of fact they have now in all three provinces practically solved the problem of securing a square deal in regard to initial storage.

There is still the contest over the use by the private companies of the so-called hybrid ticket. This is simply a graded storage ticket (with the grade omitted) stamped "Subject to Inspector's Grade and Dockage." It is not included in the Grain Act, but its use was allowed under a regulation of the Grain Board. The private elevators claim that its use enables them to conduct their business more cheaply and so in the past season, they announced that they could handle grain for $1\frac{1}{4}$ cents instead of $1\frac{3}{4}$ cents prescribed as the maximum by

the Board. The farmers' companies have protested against its use claiming, in brief, that it enables the elevator to give the minimum of service and the producer to receive the minimum of protection. They also claim that the lowering of the handling charges to $1\frac{1}{4}$ cents is merely the great "frontal attack" upon them of the big elevator companies who formerly had contented themselves with "guerilla warfare," arranging "little deals" with the farmers at competitive points at the cost of the farmers in the newer non-competitive points. The Saskatchewan Cooperative has steadily refused to lower its storage charges below $1\frac{3}{4}$ cents on the ground that the service given costs more than this amount. Their books show that in 1913-14 the cost of handling wheat through their elevators averaged over $2\frac{1}{4}$ cents per bushel and that their profits arose solely out of the 1 cent commission charged for selling grain on the Winnipeg Grain Exchange. It would certainly seem that each service should pay for its own cost. This is another of the problems which the new Commission will have to investigate and solve.

It is however not probable that the Commission's report will lead to any fundamental change in the organization and operation of the country elevator system. The general lines along which the ultimate solution will come can already be clearly seen. It will simmer down to a keen competition between farmers' line companies, millers' elevators, and ordinary line companies. A very few independent local companies may possibly remain because of excellent management and established connections. The ordinary line elevator companies, at least the larger and more responsible, are now no doubt honestly conducted, and certainly with great efficiency; their efficiency may be trusted to keep the farmers' companies up to the mark in the giving of service. The presence of the farmers' companies will not only compel the ordinary companies to give the farmer a square deal but will bring part of the profits of the business to the farming community. The milling companies again will serve by the payment of premiums to keep prices somewhere near the limit of the milling value of the grain. Over all will be the Canada Grain Commission, performing its supervisory and judicial work as at present, perhaps going further in regulating the rates not only for storing and handling, but also for selling grain on commission.

W. C. CLARK.